

III. EVALUATION OF THE PREVIOUS ELEMENT AND IDENTIFICATION OF NEW ISSUES

Background

Housing Element Law requires that a jurisdiction review its previously-adopted Element to determine what accomplishments occurred in the intervening years, and to consider modifications that might be necessary in order to make the new Element more effective. Specifically, a jurisdiction is required to review its prior Element along three main themes:

- ✓ “Effectiveness of the element” (*Section 65588(a)(2)*): a review of the actual results of the previous element’s goals, objectives, policies and programs. The results should be quantified where possible (e.g., mitigation of governmental constraints).
- ✓ “Progress in implementation” (*Section 65588(a)(3)*): an analysis of the significant difference between what was projected or planned in the previous Element and what was achieved.
- ✓ “Appropriateness of goals, objectives and policies” (*Section 65588(a)(1)*): a description of how the goals, objectives, policies and programs of the updated Element incorporate what has been learned from the results of the previous element.

1990 Housing Element

State law was the starting point for the Goals, Policies and Actions in the 1990 Housing Element. In addition to incorporating the State requirements, the Housing Element addressed the following issues that specifically reflected Mountain View’s special concerns at that time. The issues and their status are:

- Encouragement for infill development. (Ongoing.)
- Encouragement for new single-family houses. (Adopted new zoning ordinance provisions to allow “small lot single family residential”.)
- Preservation of mobile home parks. (Completed with zoning ordinance and General Plan amendments.)
- Impact of large-scale commercial and industrial developments on the demand for housing (This is the basis for current discussions on a housing impact fee and has been a specific topic in CEQA studies.)
- Need to amend requirements for companion units (completed).
- Encouragement for efficiency studio development (being implemented).
- Help for public-service employees to find local housing (partially implemented with preferences under the Below-Market-Rate program).

- Expansion of the residential inspection program to single-family housing (not expanded because of workload issues, but single-family houses are inspected on a complaint basis).

The following is a summary of the accomplishments under the 1990 Housing Element.

Despite a recession, increasing construction and land costs and the difficulty in securing adequate financing, the City of Mountain View made substantial efforts over the last 10 years to implement each of the Actions articulated in the 1990 Housing Element. Accomplishments include the following:

1. Almost 2,500 new units have been built since 1988, representing approximately 76 percent of the need allocated to the City by ABAG. With the inclusion of Maryce Freelen Place, an apartment development that was converted to affordable housing, the total is 2,566 units (78 percent) as shown in the table below.

**Table III-1
Housing Units by Affordability
1988-2000**

Income Category	Need Allocation	Actual	Percent of Need Achieved
Very Low Income	659	149	22.6%
Low Income	560	156	27.9%
Moderate Income	725	739	101.9%
Above Moderate	1,351	1,522	112.7%
TOTAL	3,295	2,566	77.9%

Due to high land and construction costs, combined with strong regional demand and many households with ample ability to pay, the bulk of new housing was priced at upper income levels. Through creative financing and strong partnerships with non-profit developers, the City was still able to meet about 25 percent of the lower income housing need.

2. Six sites were rezoned from non-residential to residential, creating opportunities for 1,274 additional units that otherwise would not have been permitted. Of these, 987 have been built.
3. Guidelines for the development of single-family houses on small lots were adopted and nearly 560 units of this type were built, allowing single-family home ownership at about twice the standard R1 zoning density.
4. Rental units have been preserved throughout Mountain View through its condominium conversion ordinance, which specifies that the number of rental units in the City cannot fall below 15,000. Similarly, mobile homes have been retained to ensure that this housing type, which is often occupied by lower-income people, are maintained and updated.

5. The City has undertaken a study of the impact of commercial and industrial development on the demand for additional housing, including affordable, to determine whether a housing impact fee (“linkage fee”) ordinance should be enacted in the City.
6. In 1999, Mountain View established a Below-Market Rate (BMR) program that requires developers to provide a certain percentage of affordable units in their market rate developments. So far, developers have committed to providing three affordable rental units and \$1.6 million in *in-lieu* fees under the BMR program.
7. Since 1990, CDBG funds have been used to build (or add to the affordable housing supply) 315 units for lower-income residents.
8. The City revised its companion unit ordinance, increasing the potential number of companion units allowed by 75 percent (from 265 to 465 units).
9. City funds (available through federal sources and the Downtown Revitalization District) have been used to preserve all but one at-risk housing project (48 units at Villa Mariposa). A total of 509 units were preserved.
10. The City continued to participate in the planning of and funding for a variety of housing options for persons with special needs, including seniors, the disabled, and the homeless. In addition, the City continues to work with fair housing providers to ensure that potential or alleged discrimination issues are addressed appropriately.

Need for Improvement

Mountain View has addressed a great many of the issues raised in 1990 with respect to the development, improvement and preservation of housing. A number of challenges remain as summarized below.

- Although the construction rate for new units was 197 units per year for 13 years (1988-2000), the goal had been 470 units per year for five years. Excluding the recession years of 1990-1995 (when the City averaged 150 units annually), the average between 1996 and 2000 was only 270 units per year. The new ABAG allocation of 3,423 units translates to approximately 456 units per year which is an ambitious goal given the number of units produced in the last decade and the amount of available vacant and redevelopable land in the City.

The City cannot control the private market, but it can provide adequate land zoned for housing at the appropriate densities and with adequate infrastructure. This is the objective of the review and analysis of potential housing sites that is part of the Housing Element update process. While private market constraints may have been the primary reason that developers have not used residentially zoned land more fully, this has been further explored as part of new Goals, Policies and Actions.

- Some of the actions that were completed—for example, to develop a handbook or to create a list of available sites—had as their focus production of the required report, rather than ensuring its effectiveness or ability to effect change. While the handbooks or reports have been useful, it has been difficult to measure how useful. In developing new Goals, Policies and Actions, consideration has been given to devising a routine follow-up plan aimed at making certain actions more effective.
- There were several programs that did not perform, such as density bonuses because there is little interest from developers, and the rehabilitation program because fewer people now qualify for the Rehabilitation Program due to the increasing cost of ownership housing and higher incomes needed to qualify for a home in Mountain View. In developing new goals and policies, consideration has been given to reviewing actions that were implemented but have had little public response. This has enabled the City to gauge (1) how the programs or activities can be improved to increase participation and effectiveness, or (2) whether there are alternative programs available.

In the case of the density bonus, the State law on which this provision is based, may be outdated. It may not be financially attractive for developers to build the required percentages of low-income (10 percent), very low-income (20 percent) or senior (5 percent) housing needed to qualify for a 25 percent density bonus. Additionally, if the zoning density for the site has been reasonably set with respect to infrastructure and environmental capacities (and such capacities were not artificially limited), then further density increases above 25 percent may not be feasible.

In the case of the rehabilitation program, the focus should probably be shifted from owner-occupied housing (as is the case with the program which has been terminated due to lack of interest) to multiple-family housing.

These ideas have been brought forward through revised Goals, Policies and Actions, based on further research and consultations.

- In terms of energy efficiency, the City has not achieved several of its goals. The issue has gained renewed importance in the last six months and has been receiving significant attention even outside the Housing Element update process. Several new Actions are proposed as part of this Housing Element to address this issue.
- The City has met many of its objectives in providing housing of all types within the 10 year period. However, there has not been enough emphasis on tracking accomplishments through an annual review of the objectives. Although the City has periodically reviewed the General Plan, including the Housing Element, over the past nine years in compliance with State law, a formal annual review would facilitate more frequent updates and changes to programs if they are ineffective. This General Plan has a new Goal and related Policies and Actions aimed at keeping the Housing Element current.

Specific information on the implementation of each of the Goals, Policies and Actions identified in the 1990 adopted Housing Element is provided in Appendix A.

New Issues

During the Housing Element workshop and the follow-up Planning Commission meetings, a number of housing issues unique to Mountain View were raised. Discussion of these issues helped to shape the update of the Housing Element. The issues are:

1. Impact of Job Growth, and Especially Higher Income Employees, on Housing Costs

The relationship between job growth and housing demand was well documented in the nexus analysis completed in December 2000 for a possible housing impact fee. It found that between 1990 and 2000, 15,550 new jobs were created in the City's major industries while only 1,602 new housing units were built. Assuming 1.78 workers per household (the Santa Clara County average), the new jobs created a demand for 8,742 new housing units. This translates into a demand for 5.5 housing units for each one housing unit built. Not all new workers would choose to live in Mountain View, but the numbers highlight the imbalance between new jobs and new housing. This issue is not unique to Mountain View.

Furthermore, there is anecdotal information that some of those who do buy housing in Mountain View have the ability to pay high prices which drives up housing prices for everyone. These home buyers have extremely well-paying high tech jobs and ready access to cash through stock options. Some analysts believe that the combination of high demand plus high income, plus the proclivity of newly-wealthy workers to invest in housing over other luxury items, is the reason for the extraordinary increase in housing prices in Silicon Valley.

The increase in higher income residents appears to be driving out lower income residents and gentrifying parts of Mountain View. Adequate comprehensive data documenting this apparent trend is not available since 2000 Census data comparable to the 1990 Census data is only partially available during preparation of this document.

The market determines housing prices that are, in turn, a function of supply and demand. It is beyond the ability of the City to control the price of market-rate housing. The issue is whether the City should try to control demand and/or increase supply. The conclusion was that a balance must be found to address the housing supply/demand issue.

2. Inability of Median-Income Households to Buy a Single-Family House

This issue specifically focuses on reports that in 2000 only 16 percent of Santa Clara County houses were affordable to households earning the median income (currently \$87,000 for a family of four).¹ This is a drop from almost 40 percent in 1998. A household earning median income can afford a house costing \$297,000 while the median price of a single-family house in Mountain View in November 2000 was \$650,000 and for condominium or townhouse, the price was \$375,000. ((Housing prices and rents began to decline early in 2001 because of the economic downturn.))

¹ "Joint Venture's 2001 Index of Silicon Valley," p. 21.

As noted above, Mountain View cannot control the market price of housing. However, as long-time homeowners gradually move out, ownership housing will only be available to higher-income households. This will mean less diversity in the City. Diversity has been a characteristic in which Mountain View has taken pride.

To assist homebuyers, the City participates or will participate in several countywide programs to assist moderate-income, first-time home buyers, including the Mortgage Credit Certificate (MCC) Program, a County-operated pilot second-mortgage program and the planned Santa Clara County Housing Trust Fund second mortgage program. These programs are described further in Section XI, on page 75. Mountain View also monitors potential State home ownership programs. So far, these programs have had limited applicability to Mountain View—again because of the high cost of housing.

Condominiums are the lowest-priced form of ownership housing. However, there have been few built in the past 5-10 years. Developers shy away from them because of the potential for construction defect lawsuits that became more widespread after a court ruling. Legislation has been introduced to provide greater protection to both developers and condominium buyers with a warranty program. The legislation would establish a more effective means of getting problems fixed when they occur. This legislation could encourage more developers to build more condominiums.

It is much more expensive to assist moderate-income households with buying houses than to assist renters. Funneling more money to ownership programs means less money for rental programs. Therefore, the conclusion was to emphasize programs that would encourage and facilitate construction of lower-priced ownership housing such as condominiums or high density row houses and to participate in regional efforts to provide financial assistance to moderate-income households.

3. High Density Housing and Smart Growth

One solution to increasing the housing supply is to zone for high density housing in conformance with “smart growth” principles which is defined as “development that revitalizes central cities and older suburbs, supports and enhances public transit, and preserves open spaces and agricultural lands.”² Mountain View has a good record on smart growth around several of its rail stations (San Antonio, Downtown, Whisman Station) and Downtown.

The key issue is whether Mountain View should do even more to promote high density. Mountain View is already the highest density City in Santa Clara County and one of the highest in the Bay Area. The conclusion was that high density should be supported but should also be targeted to the Downtown, along transit corridors and commercial centers. Since most of the potential sites have already been zoned for high density housing, future development will occur within zoned capacity rather than in rezoned areas.

² “Theory in Action, Smart Growth Case Studies,” Association of Bay Area Governments, April 2000, page i.

4. Rent Control

This is one of the most controversial issues in any discussion of housing. Five of the six groups at the housing workshop listed rent control as one of their major proposals for solving the housing problem. The issues, impacts and potential results of rent control are complex and data regarding costs and benefits in communities that have tried rent control have not been consistent.

Rent control would, of course, counteract the extreme increases in rent that have occurred in the past few years. According to Joint Venture Silicon Valley's "2001 Index," "In 2000, average apartment rental rates at turnover (renting to a new tenant) increased by 26 percent in real dollars compared to a two percent increase in median income." These kinds of increases could be limited with rent control, although the limitations would depend on the specific rent control ordinance. Two-thirds of Mountain View residents are renters and might benefit from rent control.

The arguments against rent control are that it leads to dis-investment in housing. It inhibits new construction because profits are controlled and it leads to deterioration as owners reduce maintenance and repair of existing housing. It also reduces turnover as tenants tend to hold on to their units longer and it is not an efficient use of housing since seniors in large rent-controlled family units are not motivated to move to small units. Over time, renters will have fewer housing choices and poorer quality housing. The conclusion was that, with the potential exception of mobile home parks, rent control has more potential costs than benefits and should not be pursued. The emphasis should be on strengthening programs to address specific high rent increase abuses.

5. Mobile Home Parks

Mobile home park residents were well represented at the housing workshop on January 31, 2001. Their major housing concern was rent increases—the same issue that has been raised for rentals in general. (Mobile home residents rent space in the park, but own their units.) However, many mobile home residents are seniors on fixed incomes, making the rent increases even more onerous.

A specific idea that surfaced at the workshop is whether the City should consider rezoning mobile home parks to a much higher density that would produce many more housing units, provided that current mobile home residents could move into those units and pay lower rents. There are two objectives with this proposal. One is to double or triple the number of housing units on these sites, significantly adding to the City's housing supply. (The current mobile home park density is 7 to 14 units per acre.) The other objective is to move current residents into housing units that are permanently preserved as low-income units.

A concern was whether this policy would encourage redevelopment, contrary to a policy in the 1990 Housing Element to "preserve the six major mobile home parks as a vital part of housing opportunities in the community." The mobile home park lifestyle is unique. The park provides a close-knit and safe environment but each unit is separately-owned and has its

own (albeit small) yard—similar to a single-family house. There could be strong negative reaction if it appeared that the City was encouraging redevelopment of any kind.

The conclusion was that new policies must be carefully worded so as not to encourage redevelopment and displacement of residents, but also to help residents find replacement housing if redevelopment does occur. These policies would be in addition to current laws requiring a mobile home park owner to prepare a conversion impact report, which may include relocation assistance, before converting a mobile home park to another use. Also, strategies to protect the continuing affordability of mobile homes should be pursued.

6. Impact of Apartment Building Rehabilitation on Lower Income Residents

One of the concerns raised at the workshop was that a significant number of affordable rental units are being lost when property owners rehabilitate their apartment buildings and then raise the rents. A large number of apartments have been recently upgraded, although the City does not track building upgrades separately from other repair work, so an exact count is not available. Nor does the City have any way of monitoring the rent increases that follow these upgrades. Nevertheless, there is anecdotal evidence that this is happening. Property owners participating in a focus group confirmed that they did raise rents to recoup the costs of rehabilitation.

The City has been concerned about the condition of apartment buildings, especially in the California /Latham area, for some time. The 1992 General Plan describes buildings in this area as “inexpensively built and in need of major renovations.” The private improvements that are being made now are significantly upgrading the City’s housing stock. However, the benefits of upgraded housing do not address the need to retain the affordable housing they provide—which was also discussed in the General Plan.

Generally, the City does not have discretionary approval over major remodeling projects. If a building permit application meets code requirements, the City must issue the permit. Therefore, there is no means by which the City can impose special conditions, such as relocation assistance or rent control, on most remodeling projects.

The conclusion was that the most direct way of interjecting the City into the rehabilitation process is by assisting a non-profit agency in buying and rehabilitating a building as was done with Maryce Freelen Place—a 74-unit apartment building on Latham Avenue for low and moderate-income households. In addition, the City should work with apartment owners to find ways to increase participation in the Section 8 voucher program and look for ways to monitor rent increases.

7. Preferences for Community-Serving Employees

There have been many news stories in the local media recently about essential community workers, such as teachers and public safety officers, who cannot afford to live in or near the communities in which they work. This issue was also raised at January 31st workshop. It has been pointed out that teachers who live far away are removed from the day-to-day life of the

communities in which their students live. Public safety workers with long commutes cannot respond quickly to emergencies. Public agencies find that they invest in training and education for these workers only to have them move away within a short time because they cannot find affordable housing. In addition to teachers and public safety workers, there are many other workers that the community depends upon—from nurses to clerks, waiters and bus drivers.

One response is to give priority for housing programs or units to these special groups. Currently, the Below-Market-Rate Program gives preference to households in the following order: public safety employees of the City of Mountain View, public school teachers who work in Mountain View, households who have lived in Mountain View for at least two of the last four years and households who have worked in the City for at least two of the last four years. Priority for subsidized units is given to persons who have lived in Mountain View for at least six months or persons who have worked in Mountain View for at least one year. All households who live in BMR or subsidized units must meet the income requirements.

More information is needed from each of these groups to understand their housing needs and desires and to determine whether existing programs need to be modified or new programs developed. The City as an employer is currently investigating how it can recruit and retain employees who find housing costs to be an obstacle and will be learning more about needs.

The conclusion was that it is important to help these workers live in the community so that they are readily available to respond to public safety emergency situations—one of the primary responsibilities of government—and to participate in the life of the community.

8. Alternative Housing Strategies

Participants in the housing workshop proposed a variety of alternative housing types such as companion units, seniors-only housing, co-op housing and shared housing,. All of these forms of housing are allowed and encouraged in the City.

There are five seniors-only subsidized housing projects in the City. Section V, Housing Needs, shows that senior renters continue to pay too much for rent and more assistance is needed. There was also one mobile home park that had been declared to be a seniors-only park under State law (a special provision exempting it from the standard fair housing requirements for families). That park recently dropped its seniors-only classification.

The City is periodically contacted by groups looking for sites for co-op housing (multiple-family developments with shared kitchen and living areas). This housing form is allowed by the zoning ordinance, but these groups must compete with non- and for-profit developers for limited sites and high land prices has so far prevented development of a co-housing project..

Several agencies help match up individuals (or families) who are looking for shared housing. The City funded a shared housing program (Project Match) in the past, but there were not enough participants to justify the City's investment.

The conclusion was that all of the listed forms of alternative housing should continue to be allowed by the City's zoning and development standards.